

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 22, 2006  
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL  
FROM: JAMES K. HARTMANN, CITY MANAGER   
SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING  
FEBRUARY 28, 2006

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**ISSUE:** Monthly Financial Report for the Period Ending February 28, 2006.

**RECOMMENDATION:** That City Council receive the following Monthly Financial Report for the period ending February 28, 2006.

**DISCUSSION:** This report provides Fiscal Year (FY) 2006 financial information on revenues and expenditures of the General Fund for the period ended February 2006. This report presents revenues and expenditures for the same period in FY 2005 for comparative purposes (Attachments 1 and 2) and also provides charts of selected economic indicators (Attachment 3). Revenue projections have not changed since the projections reported to Council last month and reflected in the proposed FY 2007 operating budget. Revenue projections will be updated in the monthly Financial Report for March.

The economic indicators show an increasing regional inflation rate (4.0% for calendar 2005 and 4.1% January 2005-to-January 2006), a slowing in home sales (-13%), a very low office vacancy rate (6.7%), higher average home sale prices (+22%) for 2005, and continued low unemployment rate (2.4%). Retail sales taxes, with only a 5.2% growth rate, continues to under perform. This report includes the budget projections presented to Council on February 14 as part of the Manager's Proposed FY 2007 Proposed Operating Budget with all identified net additional revenues programmed as part of the FY 2007 Proposed Operating Budget and FY 2007 Proposed Capital Improvement Program.

	FY 2006 BUDGET	FY 2006 BUDGET PROJECTIONS	BUDGET VERSUS PROJECTIONS
Real Property <sup>1</sup>	\$ 251.1	\$ 257.5	\$ 6.4
Personal Property-local share	32.0	31.6	(0.4)
Sales Tax	24.4	25.1	0.7
Consumer Utility Tax	18.6	18.0	(0.6)
Business License Tax	26.9	28.4	1.5
Transient Lodging Tax	7.7	7.7	-
Restaurant Meals Tax	10.1	10.1	-
Tobacco	3.1	2.9	(0.2)
Recordation Taxes	6.1	6.3	0.2
Other Local Taxes ( including cell phone and admissions tax)	6.8	7.4	0.6
Intergovernmental	47.7	48.8	1.1
Fines and Forfeitures	3.9	3.8	(0.1)
Licenses and Permits	3.4	4.7	1.3
Charges for City Services	9.3	9.6	0.3
Use of Money and Property	6.1	7.3	<u>1.2</u>
Net Additional Revenues			\$12.0 <sup>2</sup>
Less Sewer fees			

1 At the proposed rate of 84.7¢ per thousand.

2 Revenues entirely programmed or designated as part of FY 2007 budget process.

See page 5-76 in the FY 2007 Proposed Operating Budget for details.

**REVENUES (Attachment 1):** As of February 28, 2006, actual FY 2006 General Fund revenues totaled \$265.3 million, an increase of \$27.4 million above this time last year. This is primarily due to the budgeted increase in real estate tax revenues. Unless otherwise noted, revenues reflect normal trends and represent no cause for concern.

**Real Property Taxes:** Second half 2005 real estate taxes were due November 15. As projected in the FY 2006 budget, second half real estate billings totaled \$136.6 million. With 2006 assessments increasing 20.98 percent, overall FY 2006 real estate tax revenue collections will exceed budgeted levels. This assessment increase, at the FY 2007 Proposed Budget 84.7¢ real estate tax rate, would

increase expected FY 2006 real estate tax revenues to \$257.5 million, or \$6.4 million above the Approved FY 2006 Budget. Real estate tax revenues to be paid on June 15 will be based on the 2006 assessments as well as the real estate tax rate to be adopted by City Council on April 24.

**Personal Property Taxes:** Personal property tax bills were due on October 5, 2005. The FY 2006 Approved Budget includes a \$32.0 million revenue projection for tax revenue collected directly by the City (including \$15.9 million for vehicles, \$14.9 million for businesses and \$1.2 million for delinquent accounts) and includes an additional \$22.4 million of intergovernmental revenue that the City receives from the Commonwealth under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA). The State's share of the local personal property tax payment this year is 70 percent of most taxpayers' payments, which is the same as last year. The total for all budgeted revenues related to personal property tax for FY 2006 is \$54.4 million. Personal property tax collections-to-date, in the amount of \$31.6 million are \$1.4 million higher than the same time last year. The total tax on all vehicles in the August 2005 billing, including the portion that the State reimburses the City under the PPTRA, increased by 6.3 percent. The total number of business personal property tax bills issued, the amount of taxes billed and the total of the business personal property assessments were comparable to last year with no significant increase or decrease. Based on collections-to-date, it appears that business and vehicle personal property tax collections will total at least \$31.6 million.

Personal Property Tax (in millions)	Actual-to-Date FY 2005	Budget FY 2006	Actual-to-Date FY 2006
City share	\$ 30.2	\$ 32.0	\$ 31.6
Commonwealth reimbursement	<u>20.7</u>	<u>22.4</u>	<u>21.4</u>
Total	\$ 50.9	\$ 54.4	\$ 53.0

**Local Sales and Use Taxes:** Businesses remit sales tax to the Commonwealth within 30 days of the end of the month in which sales occurred. The Commonwealth wires the City's portion of the sales tax approximately one month later. Sales taxes received by the City in February represent revenues collected by merchants in December. City sales tax revenues have increased 5.2 % for the first six months of FY 2006. Based on collections to date, it appears that sales tax collections will approximate \$25.1 million, a \$0.7 million increase over the Approved FY 2006 Budget.

**Consumer Utility Taxes:** Consumer utility taxes are collected by the utility companies one month after billing and are remitted to the City the following month. Telephone tax revenues continue to decline as consumers switch from land line phones to cell phones and from dial-up connections to broadband for Internet access. Based on these lower collections, it appears that consumer utility taxes will approximate \$18.0 million, a decrease of \$0.6 million below the Approved FY 2006 Budget.

### City of Alexandria Consumer Utility Tax Receipts

Utility	FY 2006 Year-to-Date Receipts	FY 2005 Year-to-Date Receipts	Increase/ (Decrease)
Telephone - Tax on Local Services	\$4,045,654	\$4,305,233	\$(259,579)
Electricity	3,335,465	3,245,605	89,860
Water	1,169,860	1,149,485	20,375
Natural Gas	1,245,309	1,227,987	17,322

**Business License Taxes:** The City's business license tax is due March 1. Collections-to-date, in the amount of \$9.2 million, \$2.1 million higher than last year which represents the difference in the timing of when businesses mail their tax payments. No clear patterns of current year collections will be evident until all collections due March 1 are tallied. Based on preliminary collections-to-date of delinquent taxes, staff's current estimate for business license tax receipts is \$28.4 million, an increase of \$1.5 million over the Approved FY 2006 Budget. Staff will continue to monitor and make recommendations as warranted in the context of budget work sessions.

**Transient Lodging Taxes:** Transient lodging taxes are remitted to the City within 30 days after collection. Therefore, the revenue reflected in this report represents collections by hotels through January 2006. Collections total \$4.1 million, which is an increase of \$0.3 million over collections in the previous year. The current revenue estimate approximate the budget. Staff will continue to monitor and make recommendations as warranted in the context of budget work sessions.

**Restaurant Meals Tax:** Restaurant meals taxes are remitted to the City within 30 days after collection. Therefore, the revenue reflected in this report represents collections by restaurants through January 2006. Collections total \$5.5 million, an increase of \$0.4 million over collections in the previous year. The current revenue estimate approximate the budget. Staff will continue to monitor and make recommendations as warranted in the context of budget work sessions.

**Real Estate Recordation Taxes:** Real estate recordation tax revenues are collected by the Clerk of the Court and remitted to the City the following month. Collections in the amount of \$4.0 million are less than one percent lower than collections this time last year. Based on collections to date, it appears that recordation taxes will approximate \$6.3 million, an increase of \$0.2 million above the Approved FY 2006 Budget. In accordance with the budget, \$0.9 million of the total recordation taxes will be transferred to the Housing Special Revenue Fund with \$0.8 million transferred in January. Staff will continue to monitor and make recommendations as warranted in the context of budget work sessions.

**Admissions Tax:** New for FY 2006, the admissions taxes are remitted to the City within one month after collections and appear to confirm that the \$1.3 million amount budgeted will be met or exceeded.

**Cell Phone Tax:** New in FY 2006, the effective date for the cell phone tax was September 1, 2005, with collections to date of \$1.1 million. Based on current collections, it appears that the \$2.2 million tax will be collected, an increase of \$0.5 million over the original estimate. Additional monthly payment experience will be needed to confirm this.

**Other Local Taxes:** This category includes bank franchise taxes, telecommunications right-of-way tax, cable TV franchise taxes, daily rental taxes and other miscellaneous taxes.

**Revenues from the Federal Government:** The City's General Fund revenues from the federal government are primarily for federal prisoner per diem. The City has billed \$3.2 million for housing federal prisoners through the period ending February 28, 2006. Payments of \$2.1 million have been received as of February 28. The federal government generally pays the City for housing federal prisoners between 45 and 60 days after the end of the billing period. Based on current prisoner levels, staff currently estimate that revenues from the federal government will approximate \$5.1 million, an increase of \$0.7 million over the Approved FY 2006 Budget.

**Fines and Forfeitures:** Collections through February were 10.9 percent lower than collections last year because of the elimination of red light camera revenue. Based on collections-to-date and projected collections, staff projects that fines and forfeitures will approximate \$3.8 million, a decrease of \$0.1 million below the Approved FY 2006 Budget.

**Licenses and Permits:** Year-to-date revenues include increased construction related permits, primarily for multi-family dwellings. Collections-to-date are \$3.2 million, or \$0.5 million higher than collections at this time last year, primarily for building permits. Based on these collection patterns, licenses and permits revenue are expected to be \$4.7 million, an increase of \$1.3 million over the Approved FY 2006 Budget.

**Charges for City Services:** Increased collections represent budgeted increases for refuse and sanitary sewer fees.

**Revenue from Use of Money and Property:** Increased revenues represent increased interest earnings on City investments. Interest rates are more than 2 percentage points higher than the rate earned at this time last year, and will lead to much higher revenue earnings.

**Other Revenue:** Other revenues include gifts and donations, damage recoveries and recovered costs.

**EXPENDITURES (Attachment 2):** As of February 28, 2006, actual General Fund expenditures totaled \$274.5 million, an increase of \$20.2 million, or 7.9 percent, above expenditures for the same period last year. The approved General Fund budget is 8.1 percent higher than FY 2005. This expenditure pattern reflects the FY 2006 Approved Budget. The City has incurred approximately \$225,000 in costs related to the deployment of City staff to Louisiana and Mississippi after Hurricane Katrina primarily for personnel and uniform costs. These costs are reflected in the Special Revenue Fund, since the City expects to receive reimbursement from FEMA for these costs. In addition, in January, the City made a one time payment to certain public safety employees as part of an

agreement to increase public safety pay. The budget authority for these payments is in the non departmental budget while the expenditures have been made in the applicable public safety department budget. Staff will match the budget authority with the expenditures upon completion of the analysis of the cost of the pay raise.

**Judicial Administration:** Expenditures represent the third quarter payments to regional organizations that provide legal, correctional and animal welfare and control services and the cost of the public safety pay raise described above.

**Other Planning Activities:** General Fund expenditures in this category reflect the first three quarterly contribution payments to community agencies and both semi-annual payments to the Alexandria Convention and Visitors Association.

**Fire:** Expenditures-to-date reflect the cost of the public safety pay raise described above.

**Police:** Expenditures-to-date reflect the cost of the public safety pay raise described above.

**Transit Subsidies:** Expenditures-to-date reflect the City's first three quarterly payments to the Washington Metropolitan Area Transit Authority (WMATA) for FY 2006.

**Human Services:** Expenditures-to-date reflect increased personnel costs. Some of these costs are expected to be reimbursed by State and federal grants. For those costs not reimbursed, staff will recommend an appropriation transfer as necessary to match projected expenditures with available funds.

**Recreation:** Expenditures reflect seasonal employee costs incurred during the summer.

**School:** The School Administration has reported \$101.5 million in expenses through February 28, 2006. The City's General Fund share of total School budgeted expenditures is approximately 75.8 percent of the total expenditures. This percentage was applied to total School disbursements to estimate School expenditures-to-date in the amount of \$76.9 million (i.e., 75.8 percent of \$101.5 million).

**Other Education Activities:** Expenditures-to-date reflect the first three quarterly contribution payments to the Northern Virginia Community College.

**Debt Service:** The increase in expenditures represented budget payments for general obligation bonds issued in FY 2005.

**Non-Departmental:** General Fund expenditures in this category reflect the City's contributions to the public safety pension plan, senior citizens' rent relief and payment for the City's liability insurance.

**Cash Matches (MH/MR/SA, Human Services, Library and Miscellaneous Grants) and Transfers:** To comply with grant awards, the City's share of funding is transferred from the General Fund to the Special Revenue Fund at the end of the fiscal year. Current transfers include a transfer of

\$750,000 as part of a \$1.5 million affordable housing loan for an apartment acquisition. An additional \$780,000 was transferred to the affordable housing fund to fund the Moderate Income Home Ownership Program. This \$780,000 is part of the \$889,815 in recordation taxes Council approved for affordable housing in the FY 2006 Approved Budget.

**ATTACHMENTS:**

Attachment 1 - Comparative Statement of Revenues

Attachment 2 - Comparative Statement of Expenditures & Transfers by Function

Attachment 3 - Selected Economic Indicators

**STAFF:**

Mark Jinks, Deputy City Manager

D. A. Neckel, Director of Finance

Laura Triggs, Deputy Director of Finance/Comptroller

**CITY OF ALEXANDRIA, VIRGINIA  
COMPARATIVE STATEMENT OF REVENUES  
GENERAL FUND  
FOR THE PERIODS ENDING FEBRUARY 28, 2006 AND FEBRUARY 28, 2005**

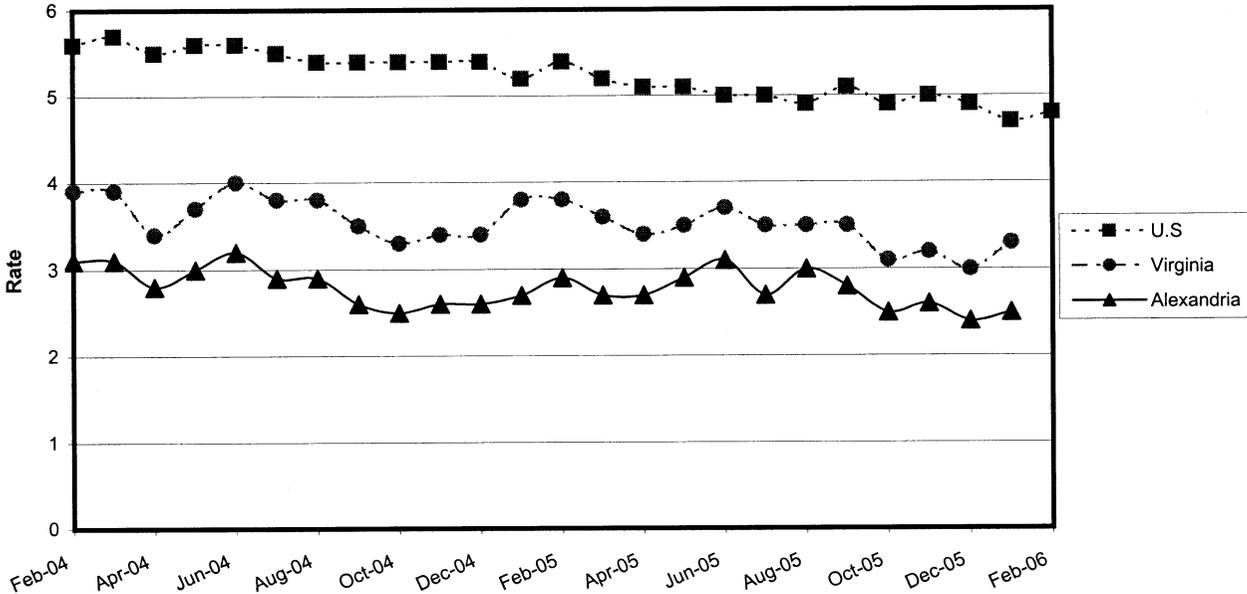
	FY2006 APPROVED BUDGET	FY2006 REVENUES THRU 02/28/06	% OF BUDGET	FY2005 REVENUES THRU 02/28/05
<b>General Property Taxes</b>				
Real Property Taxes.....	\$ 251,056,796	\$ 125,308,162	49.9%	\$ 111,649,323
Personal Property Taxes.....	32,000,000	31,635,844	98.9%	30,235,225
Penalties and Interest.....	1,500,000	1,111,072	74.1%	897,009
<b>Total General Property Taxes</b>	<b>\$ 284,556,796</b>	<b>\$ 158,055,078</b>		<b>\$ 142,781,557</b>
<b>Other Local Taxes</b>				
Local Sales and Use Taxes.....	\$ 24,400,000	12,507,214	51.3%	\$ 11,885,141
Consumer Utility Taxes.....	18,600,000	9,796,288	52.7%	9,928,310
Business License Taxes.....	26,900,000	9,201,194	34.2%	7,131,306
Transient Lodging Taxes.....	7,700,000	4,103,556	53.3%	3,776,285
Restaurant Meals Tax.....	10,100,000	5,545,004	54.9%	5,165,598
Tobacco Taxes.....	3,100,000	1,720,967	55.5%	1,389,177
Motor Vehicle License Tax.....	2,400,000	2,197,822	91.6%	2,222,643
Real Estate Recordation.....	6,100,000	4,028,153	66.0%	4,038,621
Admissions Tax.....	1,300,000	693,832	53.4%	-
Cell Phone Tax.....	1,700,000	1,141,465	67.1%	-
Other Local Taxes.....	3,849,000	1,224,411	31.8%	1,463,650
<b>Total Other Local Taxes</b>	<b>\$ 106,149,000</b>	<b>\$ 52,159,906</b>	49.1%	<b>\$ 47,000,731</b>
<b>Intergovernmental Revenues</b>				
Revenue from the Federal Government.....	\$ 4,400,000	\$ 2,143,202	48.7%	\$ 1,933,099
Personal Property Tax Relief from the Commonwealth.....	22,400,000	21,381,679	95.5%	20,715,892
Revenue from the Commonwealth.....	20,866,400	11,822,085	56.7%	10,954,553
<b>Total Intergovernmental Revenues</b>	<b>\$ 47,666,400</b>	<b>\$ 35,346,966</b>	74.2%	<b>\$ 33,603,544</b>
<b>Other Governmental Revenues</b>				
Fines and Forfeitures.....	\$ 3,900,150	\$ 2,283,789	58.6%	\$ 2,561,872
Licenses and Permits.....	3,422,000	3,200,752	93.5%	2,680,313
Charges for City Services.....	12,158,717	8,065,045	66.3%	5,956,072
Revenue from Use of Money & Property.....	6,206,914	5,543,617	89.3%	3,256,306
Other Revenue.....	473,358	678,386	143.3%	154,189
<b>Total Other Governmental Revenues</b>	<b>\$ 26,161,139</b>	<b>\$ 19,771,589</b>	75.6%	<b>\$ 14,608,752</b>
<b>TOTAL REVENUE</b>	<b>\$ 464,533,335</b>	<b>\$ 265,333,539</b>	57.1%	<b>\$ 237,994,584</b>
<b>Appropriated Fund Balance</b>				
General Fund.....	11,502,263	-	0.0%	-
Reappropriation of FY 2005 Encumbrances And Other Supplemental Appropriations.....	2,087,658	-	0.0%	-
<b>TOTAL</b>	<b>\$ 478,123,256</b>	<b>\$ 265,333,539</b>	55.5%	<b>\$ 237,994,584</b>

**CITY OF ALEXANDRIA, VIRGINIA**  
**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION**  
**GENERAL FUND**  
**FOR THE PERIODS ENDING FEBRUARY 28, 2006 AND FEBRUARY 28, 2005**

FUNCTION	FY2006	FY2006	% OF	FY2005
	APPROVED BUDGET	EXPENDITURES THRU 02/28/06		BUDGET
Legislative & Executive.....	\$ 5,545,627	\$ 3,202,761	57.8%	\$ 3,393,820
Judicial Administration.....	\$ 31,929,488	\$ 21,266,654	66.6%	\$ 19,919,973
<b>Staff Agencies</b>				
Information Technology Services.....	\$ 7,969,866	\$ 4,405,576	55.3%	\$ 4,022,412
Management & Budget.....	1,038,329	605,706	58.3%	574,540
Finance.....	8,590,883	4,858,448	56.6%	4,946,113
Real Estate Assessment.....	1,268,167	746,150	58.8%	656,444
Personnel.....	2,903,163	1,902,253	65.5%	1,631,603
Planning & Zoning.....	4,092,808	2,544,365	62.2%	2,289,611
Other Planning Activities.....	2,707,936	2,503,987	92.5%	2,387,158
City Attorney.....	2,338,305	1,502,462	64.3%	943,795
Registrar.....	1,004,622	622,757	62.0%	748,603
General Services.....	11,317,209	7,198,995	63.6%	6,723,654
Total Staff Agencies	\$ 43,231,288	\$ 26,890,699	62.2%	\$ 24,923,933
<b>Operating Agencies</b>				
Transportation & Environmental Services.....	\$ 24,753,919	\$ 15,283,997	61.7%	\$ 15,081,056
Fire.....	32,058,747	21,915,049	68.4%	20,434,907
Police.....	44,849,631	29,800,876	66.4%	27,790,560
Transit Subsidies.....	6,145,697	5,222,779	85.0%	4,260,022
Housing.....	1,233,413	800,321	64.9%	573,764
<b>Mental Health/Mental Retardation/</b>				
Substance Abuse.....	504,578	437,499	86.7%	500,772
Health.....	7,335,275	4,159,368	56.7%	3,644,788
Human Services.....	10,396,444	7,006,725	67.4%	6,477,527
Historic Resources.....	2,567,757	1,636,879	63.7%	1,533,566
Recreation.....	18,412,211	12,117,549	65.8%	11,036,820
Total Operating Agencies	\$ 148,257,672	\$ 98,381,042	66.4%	\$ 91,333,782
<b>Education</b>				
Schools.....	\$ 138,753,138	\$ 76,887,357	55.4%	\$ 71,323,636
Other Educational Activities.....	12,990	9,743	75.0%	9,974
Total Education	\$ 138,766,128	\$ 76,897,100	55.4%	\$ 71,333,610
<b>Capital, Debt Service and Miscellaneous</b>				
Debt Service.....	\$ 27,714,883	\$ 12,752,181	46.0%	\$ 8,293,663
Non-Departmental.....	15,987,448	6,231,987	39.0%	5,935,803
Cash Capital.....	18,859,735	18,859,735	100.0%	21,382,000
Contingent Reserves.....	263,250	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 62,825,316	\$ 37,843,903	60.2%	\$ 35,611,466
TOTAL EXPENDITURES	\$ 430,555,519	\$ 264,482,159	61.4%	\$ 246,516,584
<b>Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library and Transfers to the Special Revenue Fund)...</b>				
Transfer to Library.....	34,787,308	1,530,000	4.4%	-
Transfer to DASH.....	6,438,429	4,294,432	66.7%	3,981,419
Transfer to DASH.....	6,342,000	4,230,114	66.7%	3,833,089
TOTAL EXPENDITURES & TRANSFERS	\$ 478,123,256	\$ 274,536,705	57.4%	\$ 254,331,092

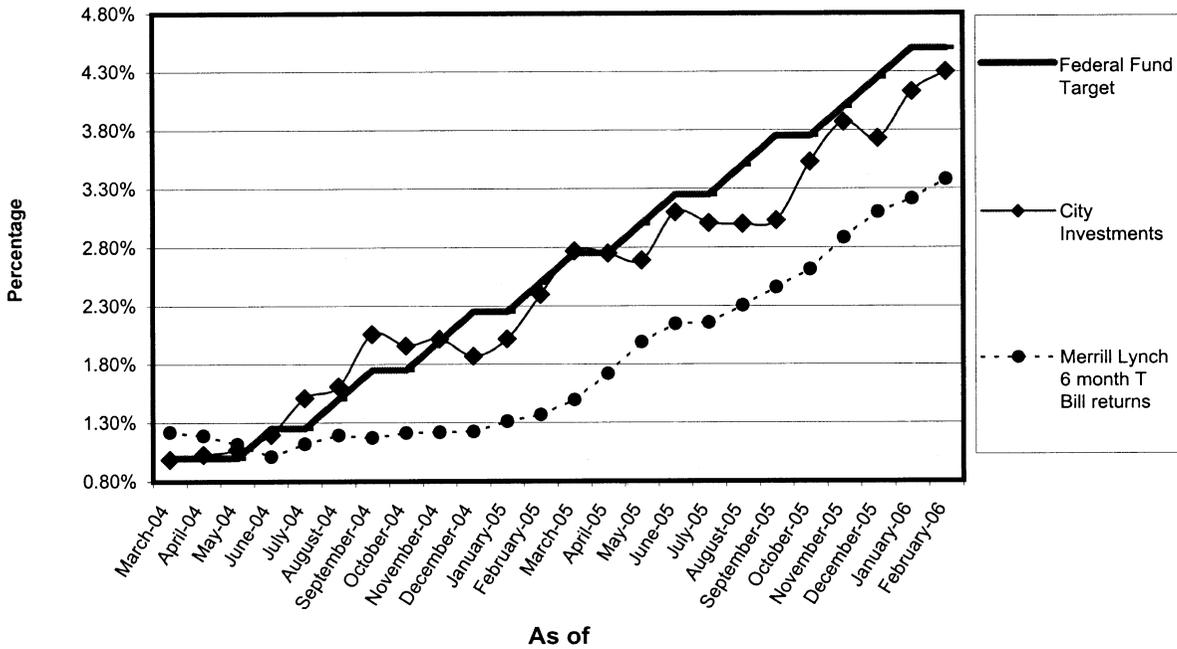
**City of Alexandria  
Selected Economic Indicators**

**Unemployment Rates - US, Virginia and Alexandria**



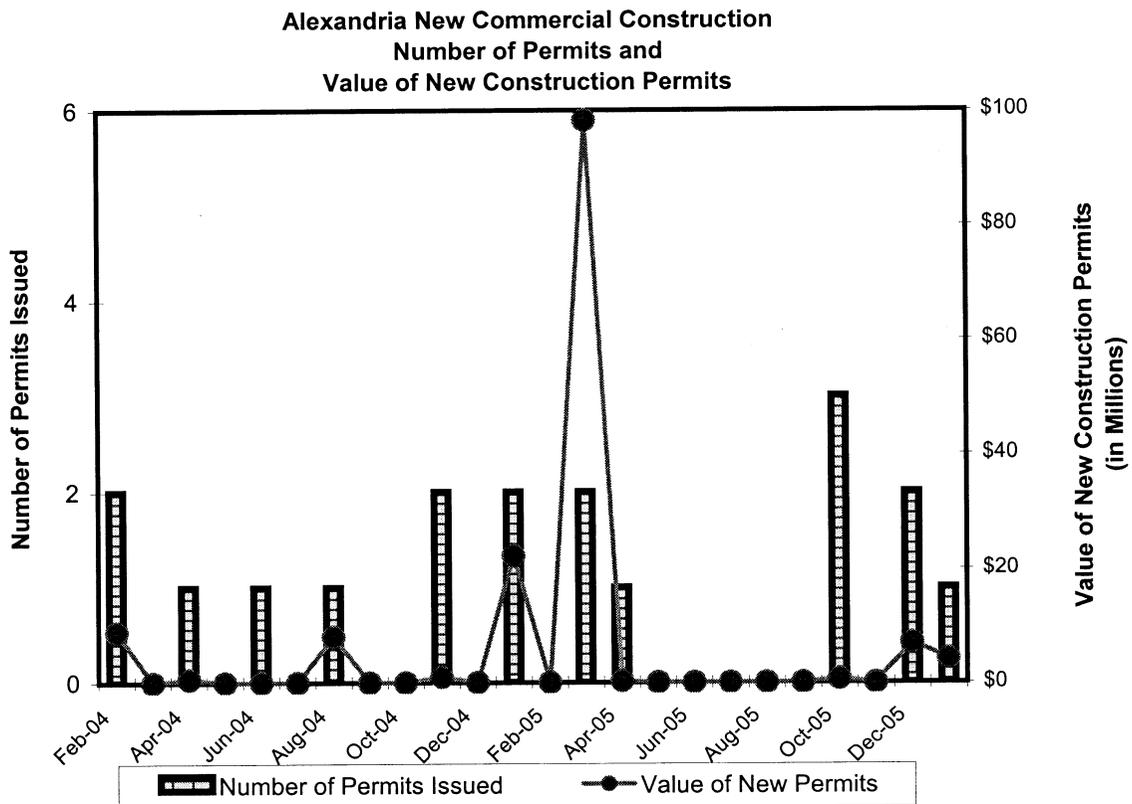
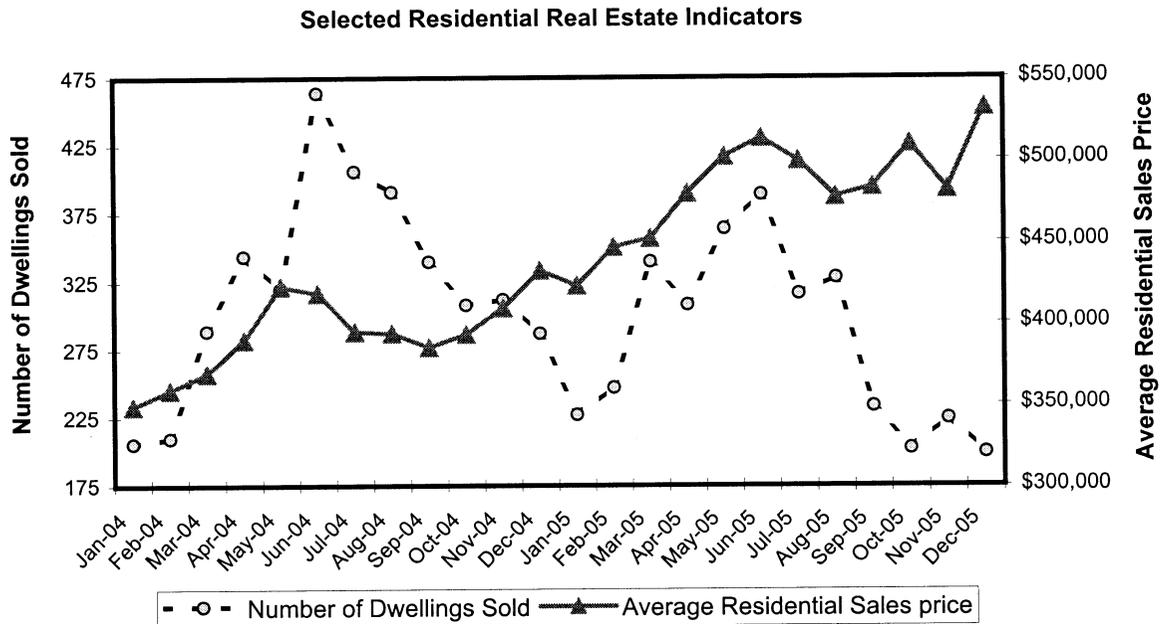
Source: United States Department of Labor, Bureau of Labor Statistics (as revised by BLS)

**Selected Interest Rates**

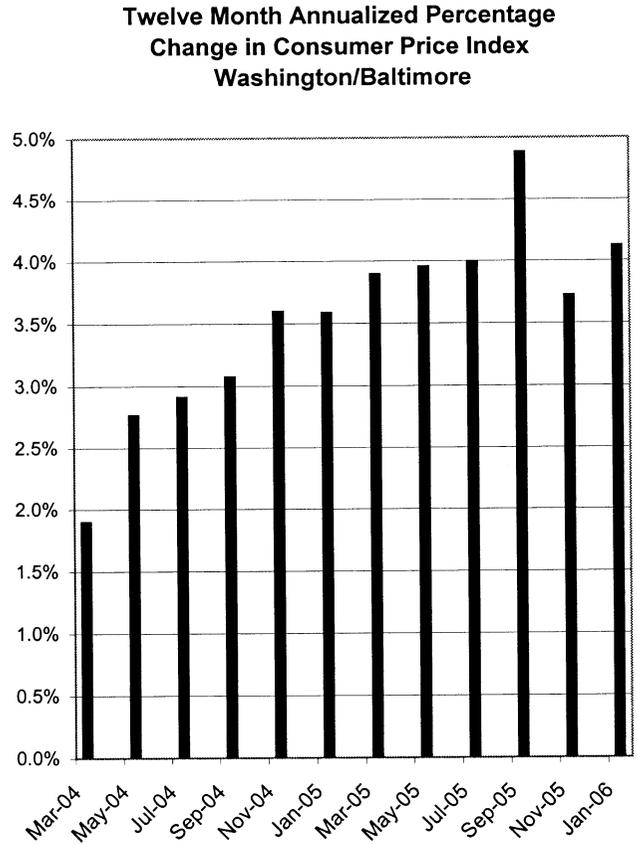
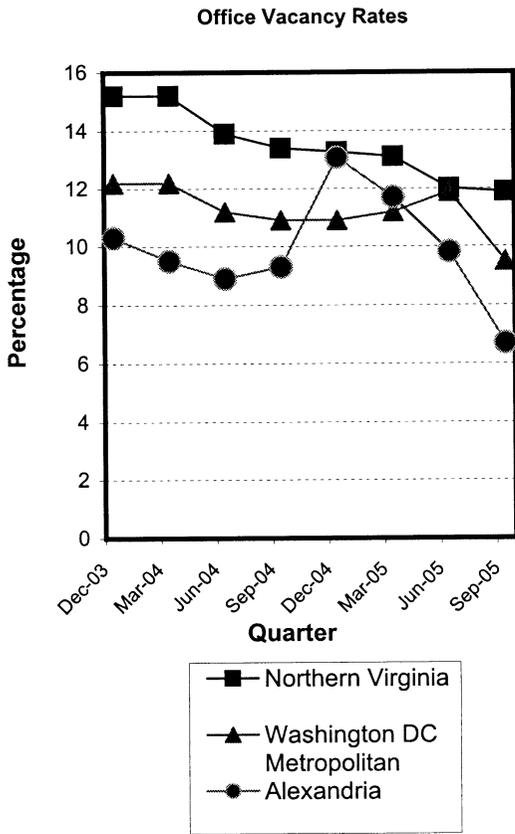


Source: Suntrust Economic Monitor

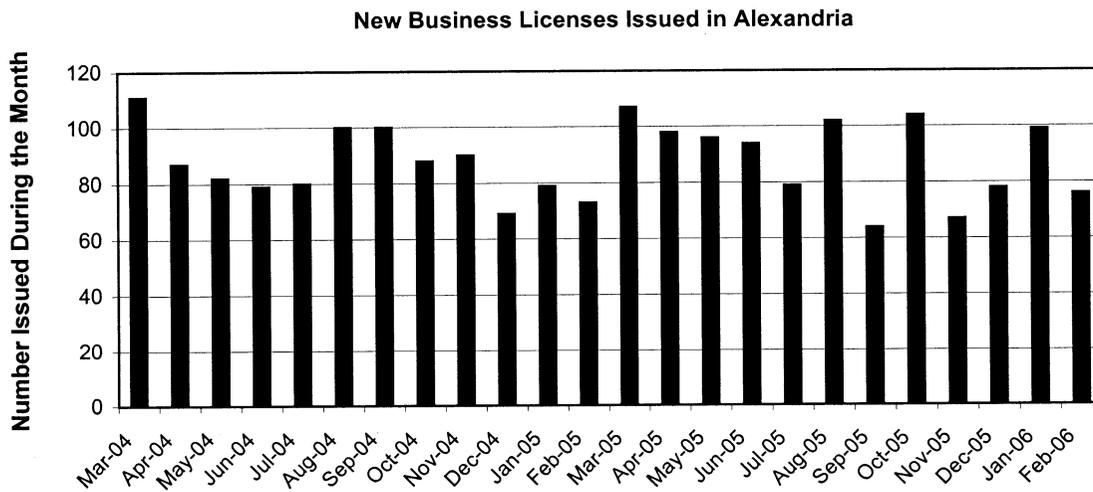
**City of Alexandria  
Selected Economic Indicators**



**City of Alexandria  
Selected Economic Indicators**



Source: United States Department of Labor, Bureau of Labor Statistics



**CITY OF ALEXANDRIA  
SELECTED ECONOMIC INDICATORS**

	<u>Current Year</u>	<u>Prior Year</u>	<u>Percent Change</u>
<b><u>Consumer Price Index (CPI-U)</u></b> <b>for the Washington-Baltimore, DC-MD-VA-WV Area</b> (As of January 31, 2006) (Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)	126.3	121.3	+4.1%
<b><u>Unemployment Rates</u></b>			
<b>Alexandria</b>	2.5%	2.7%	-7%
<b>Virginia</b> (As of January 31, 2006) (Source: United States Department of Labor, Bureau of Labor Statistics, as adjusted)	3.3%	3.8%	-13%
<b>United States</b> (As of February 28, 2006) (Source: United States Department of Labor, Bureau of Labor Statistics)	4.8%	5.4%	-11%
<b><u>Interest Rates</u></b> (As of February 28, 2006)			
<b>Prime Rate</b>	7.50%	5.50%	+36%
<b>Federal Fund Rate</b> (Source: SunTrust Economic Monitor)	4.49%	2.59%	+73%
<b><u>New Business Licenses</u></b> (During February ) (Source: Finance Department, Business Tax Branch)	76	73	+4%
<b><u>Office Vacancy Rates</u></b> (As of September 30, 2005)			
<b>Alexandria</b>	6.7%	9.3%	-28%
<b>Northern Virginia</b>	11.9%	13.4%	-11%
<b>Washington DC Metro Area</b> (Source: Grubb & Ellis)	9.5%	10.9%	-13%
<b><u>New Commercial Construction</u></b> (As of January 31, 2006 )			
<b>Number of New Building Permits</b>	6	5	+20%
<b>Value of New Building Permits</b> (Source: Fire Department Code Enforcement Bureau)	\$ 11.8 million	\$ 31.4 million	-62%
<b><u>Residential Real Estate Indicators</u></b> (for the year ended December 31, 2005)			
<b>Residential Dwelling Units Sold</b>	3,377	3,877	-13%
<b>Average Residential Sales Price</b> (Source: Department of Real Estate Assessments)	\$483,381	\$395,759	+22%